

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 837 - HB 1019**

March 12, 2023

**SUMMARY OF BILL:** Enacts the *Pregnancy Resource Tax Credit Act*. Authorizes business, excise, and franchise tax credits for businesses that make monthly contributions to eligible non-profit, 501(c)(3) organizations that provide a residential facility to assist in childbirth and other pregnancy-related services. Requires eligible organizations to have Tennessee residents comprising at least 50 percent of their clients. Caps the tax credits at 50 percent of the total liability for business, franchise, and excise taxes. Allows tax credits to be carried forward for five years. Requires the aggregate amount of tax credits allocated to not exceed \$5,000,000 per tax year. Prohibits more than 20 percent of the tax credits from being allocated to a single eligible charitable organization.

**FISCAL IMPACT:**

**Decrease State Revenue – \$150,000/FY23-24  
\$585,000/FY24-25  
\$625,000/FY25-26  
\$665,000/FY26-27  
\$705,000/FY27-28  
\$745,000/FY28-29 and Subsequent Years**

**Decrease Local Revenue – \$255,000/FY24-25 and Subsequent Years**

**Assumptions:**

- For the purposes of this analysis, it is assumed that tax credits created by the proposed legislation will be applied equally between the business tax and the franchise and excise tax.
- Based on information provided by the Department of Revenue, 80 percent of franchise and excise taxpayers have calendar year tax years, meaning the first year the tax credit would be available is the tax year beginning January 1, 2024. The uncertainty of how many taxpayers would be eligible between July 2023 and January 2024 creates the assumption that 50 percent of a full year impact will occur in FY23-24.
- For the purposes of this analysis, it is assumed the total applied tax credits will exceed \$1,000,000 per tax year, with an equal split between \$500,000 applied to business taxes and \$500,000 applied to franchise and excise taxes.
- It is further assumed that each fiscal year, 20 percent, or \$200,000, of the total tax credits issued will be carried forward over five years to defray franchise and excise

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taxes, meaning only 80 percent of the total tax credits, or 60 percent of franchise and excise taxes, will be applied in the fiscal year they are issued.

- It is assumed tax credits that are carried forward will be applied in equal increments over the five-year time period, or \$40,000 ( $\$200,000 / 5$ ).
- The estimated decrease in franchise and excise tax revenue in FY23-24 will be \$150,000 [ $(\$500,000 \times 60\%) \times 50\%$ ].
- The estimated decrease in franchise and excise tax revenue in FY24-25 will be \$340,000 [ $(\$500,000 \times 60\%) + \$40,000$ ].
- The estimated decrease in franchise and excise tax revenue will rise by \$40,000 [ $(\$500,000 \times 40\%) / 5$  years] each year until FY28-29, following the credits carried forward in the first eligible fiscal year being fully applied. Therefore, the estimated decrease in franchise and excise tax revenue will be:
  - \$380,000 ( $\$340,000 + \$40,000$ ) in FY25-26.
  - \$420,000 ( $\$340,000 + \$40,000 + \$40,000$ ) in FY26-27.
  - \$460,000 ( $\$340,000 + \$40,000 + \$40,000 + \$40,000$ ) in FY27-28.
  - \$500,000 ( $\$300,000 + \$40,000 + \$40,000 + \$40,000 + \$40,000$ ) in FY28-29 and subsequent years.
- Based on FY21-22 collections data, approximately 49 percent of business tax collections were allocated to the General Fund and approximately 51 percent were allocated to local governments.
- Business tax is due on the 15<sup>th</sup> day of the fourth month following the end of a business' fiscal year.
- The proposed legislation applies to tax periods beginning on or after July 1, 2023, for which payments will be due on October 15, 2024. Tax returns for taxpayers with the first impacted tax year beginning on January 1, 2024, will be due on April 15, 2025. Therefore, the proposed legislation will not impact business tax collections in FY23-24. It is estimated that the impact in FY24-25 will be 100 percent of the full-year impact.
- The estimated decrease in business tax revenue going to the General Fund in FY24-25 and subsequent years will be \$245,000 ( $\$500,000 \times 49\%$ ).
- The estimated total decrease in business tax revenue going to local governments in FY24-25 and subsequent years will be \$255,000 ( $\$500,000 \times 51\%$ ).
- The estimated total decrease in state revenue will be:
  - \$150,000 in FY23-24.
  - \$585,000 ( $\$340,000 + \$245,000$ ) in FY24-25.
  - \$625,000 ( $\$380,000 + \$245,000$ ) in FY25-26.
  - \$665,000 ( $\$420,000 + \$245,000$ ) in FY26-27.
  - \$705,000 ( $\$460,000 + \$245,000$ ) in FY27-28.
  - \$745,000 ( $\$500,000 + \$245,000$ ) in FY28-29 and subsequent years.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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